

Arkansas Insurance Department

Mike Beebe
Governor



Julie Benafield Bowman
Commissioner

NEWS RELEASE

FOR IMMEDIATE RELEASE

For more information contact:

Alice Jones
Communications Director
(501) 371-2835
alice.jones@arkansas.gov

Insurance Consumers Protected By Solvency Standards

LITTLE ROCK, ARKANSAS (September 16, 2008) —State Insurance Commissioner Julie Benafield Bowman joined with the National Association of Insurance Commissioners today in the issuance of the following statement in response to the financial issues facing American International Group (AIG):

“We have a very strong message for consumers: If you have a policy with an AIG insurance company, they are solvent and have the capability to pay claims. Our job is to ensure that they continue to have the ability to pay.

“In this particular instance, AIG’s insurance subsidiaries are being asked to provide liquid assets to the financially distressed non-insurance parent company in exchange for non-liquid assets. The New York State and Pennsylvania Insurance Departments are working with AIG to review the transaction. State insurance regulators will only approve this type of action if they are assured it is part of a total resolution of the liquidity issue at the parent company and fairly compensates its insurance company subsidiaries.

“As a holding company, AIG is a separate, federally regulated legal entity that is distinct and apart from its subsidiary insurers. The subsidiary insurers are governed by state laws designed to protect the interest of policyholders. State insurance regulators are committed to protecting the interest of policyholders and will work closely with AIG management and other regulators to fulfill this commitment.

“The No. 1 job of state insurance regulators is to make sure insurance companies operate on a financially sound basis. If needed, we immediately step in if it appears that an insurer will be unable to fulfill the promises made to its policyholders. This includes taking over the management of an insurer through a conservation or rehabilitation order, the goal being to get the insurer back into a strong solvency position.

(MORE)

NEWS RELEASE: Insurance Consumers Protected by Solvency Standards

September 16, 2008

Page 2

“State regulators have numerous actions they can take to prevent an insurer from failing. Claims from individual policyholders are given the utmost priority over other creditors in these matters — and, in the unlikely event that assets are not enough to cover these claims, there is still another safety net in place to protect consumers: the state guaranty funds. These funds are in place in all states. If an insurance company becomes unable to pay claims, the guaranty fund will provide coverage, subject to certain limits.

“It is a state insurance regulator’s responsibility to protect policyholders and ensure a healthy, competitive market for insurance products. Strict solvency standards and keen financial oversight — based on conservative investment and accounting rules — continue to be the bedrock of state-based insurance regulation.”

###